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Trading Plans

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2/12/2011

Trading Plans – Questions to Answer

- What is the underlying reason I trade?
- What Trading Vehicles do I use?
- What Timeframe do I trade?
- Which Account Do I Use for the Different Trading Instruments?
- What is my Money Management Plan?
- What is my Trading Horizon and Strategy?

Trading Plan Questions (cont'd)

- What Kind of records do I keep?
- What is my daily routine?
- What are my income goals?
- What are the circumstances to change the plan?
- What is my disaster recover plan?

Simple Trading Plan (EXAMPLE – not tested)

- Definition of Success
- Watch List Criteria
- Entry Rules
- Position Size/Money Management
- Exit Rules
- Periodic Review Activities

Definition of Success

- Follow my Investing Plan rules
- Protect and preserve capital.
- Outperform the S&P 500 (industry standard)
- Target to make 20-30% year over year

Watch List Criteria

- Identify leveraged ETFs
- Identify corresponding up/downtrend in underlying index (Dow, S&P, etc)
- Compute performance and weighted momentum score
- ETFs for 8 d MA crossover of 20 d MA...<http://www.coxintl.com/trader/ultra-xsdetect/ultra-outfile.htm>

Entry Rule

- Buy top (momentum rated) four leveraged ETF's
- Not more than 20% in each “family”
- Take initial position 2 day after 8/20 crossover

Money Management

- Start with initial portfolio value of \$25,000
- Adjust position size for a risk of $>2\%$
- Initial stop loss set one ATR from buy

Exit Rule

- Exit any position on ATR stop loss
- Reduce position if underlying index changes direction on 8/20 crossover

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Periodic Actions

- Adjust stop loss weekly (trailing stop loss) but never lower
- Recalculate performance and momentum of portfolio and watchlist weekly
- Backtest monthly
- Maintain trading journal
- Review “common rules” checklist

*Symbols are for illustrative purposes only

References

- List of leveraged ETFs traded on US / Canada Stock Exchanges (hot links to leveraged ETF providers):
<http://etf.stock-encyclopedia.com/category/leveraged-etfs.html>
- Dissecting Leveraged ETF Returns:
<http://www.investopedia.com/articles/exchangetradedfunds/07/leveraged-etf.asp>
- Leveraged ETFs: A Value Destruction Trap?
<http://seekingalpha.com/article/31195-leveraged-etfs-a-value-destruction-trap>
- Leveraged ETF Ticker Symbols- All the 2x and 3x Return Info You Need
<http://www.darwinsfinance.com/leveraged-etf-ticker-symbols/>